

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



**CORRECTED
FISCAL NOTE**

HB 3164 - SB 3134

April 5, 2010

SUMMARY OF BILL: Deletes and rewrites the unauthorized substances tax laws.

ESTIMATED FISCAL IMPACT:

On February 24, 2010, a fiscal note was issued for this bill indicating a *recurring increase to state revenue of \$1,086,300 per year, a one-time increase to state expenditures of \$61,000, a recurring increase to state expenditures of \$700,000 per year, a recurring increase to local revenue exceeding \$100,000 per year, and a recurring increase to local expenditures exceeding \$100,000 per year*. Based on additional information received from the Attorney General, the fiscal impact for this bill is as follows:

(CORRECTED)

Increase State Revenue - \$1,086,300/Recurring

**Increase State Expenditures - \$1,193,000/Recurring
\$61,000/One-Time**

Increase Local Revenue – Exceeds \$100,000

Increase Local Expenditures – Exceeds \$100,000*

Assumptions:

- According to the Department of Revenue (DOR), the Department eliminated 12 enforcement positions and 3 legal positions when the previous unauthorized substances tax was ruled unconstitutional.
- The Governor's Recommended Budget Document for FY10-11 reflects the reduction of 14 positions with no improvements for the Department's Tax Enforcement Division from FY09-10 to FY10-11 (B-65); and the reduction of 32 positions with 4 improvement positions for a net reduction of 28 positions for the entire Department from FY09-10 to FY10-11 (B-67).
- DOR indicates the need to replace eliminated positions in order to administer and enforce the provisions of this bill.
- The increase to recurring state expenditures associated with replacing eliminated positions is estimated to be \$700,000 per year (\$462,000 salaries, \$190,000 benefits, \$48,000 other). One-time state expenditures associated with replacement positions are estimated to be \$61,000 (for computers, software, etc.).

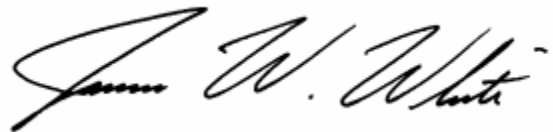
HB 3164 – SB 3134 (CORRECTED)

- According to the Office of the Attorney General, four additional positions would be required to defend the state in subsequent litigation. The increase to recurring state expenditures for these positions is estimated to be \$493,000 per year (\$295,800 salaries, \$147,900 benefits, \$49,300 other).
- The previous unauthorized substances tax generated \$1,086,340.58 during FY08-09 on a cash basis. Based on information provided by DOR, the state should generate a similar amount for the state under the provisions of this bill. Therefore, a recurring increase to state revenue estimated to be \$1,086,300 per year.
- Local government entities will receive a portion of the revenue to cover costs of enforcement. Any associated increase to local government revenue and expenditures is unknown and difficult to quantify. However, the increase to local government revenue and expenditures are reasonably estimated to exceed \$100,000 per year statewide.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc